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WORLD COTTON PROSPECTS

(May and June issues)

Summary

Domestic cotton prices were relatively stable during April and May, the average for the ten designated markets being 11.57 cents in the former months and 11.56 in the latter.

Cotton mill activity throughout the principal cotton consuming centers of the world continued to run at a high level during April. World consumption of all kinds of cotton is continuing to run at a record breaking rate which may amount to nearly 27,000,000 bales for the season. This high level of consumption indicates that the world carry-over of all cotton and of American on August 1, 1936 will be reduced significantly as compared with the carry-over at the beginning of the present season, but will still be considerably larger than average carry-over during the 10 years ended July 1933.

Although domestic mill activity tended to decline during April, mills consumed more cotton than in any previous April since 1929. Consumption of all growths of 577,000 bales compares with 469,000 in the same month last season, an increase of 23 percent. During the first 3 weeks of May, while mill positions with respect to stocks and orders are rather unsatisfactory, mill activity continued to run above a year ago. European mill activity in April and early May continued well above a year ago, somewhat less favorable developments in the United Kingdom, Italy, and Austria, being offset by further improvement in France and Belgium. Consumption of American cotton in Europe continued well above last year, although its consumption is being

discouraged by the persistent tendency for the price of American cotton to strengthen relative to foreign during recent months. The general European textile situation during recent months has been one of slow but fundamental recovery based almost entirely upon improved demand from the domestic market in each country.

The textile industry continues active in Japan but with both yarn production and exports of cotton cloth somewhat below the record high levels of a year ago.

Stocks of Government-controlled cotton in the United States have been reduced considerably by sales of loan cotton under the plan announced by the Commodity Credit Corporation on April 4. It is reported that the entire 1,000,000 bales disposable under the Plan will be gone by the end of May.

Exports of American cotton amounted to 353,000 bales in April, an increase of 9 percent over April of last year. Exports for the 9 months August through April, were 5,167,000 bales, or 33 percent above those for the same period last season. Exports from both India and Egypt so far this season have been running above the total for the same months last year.

Rainfall during the last few weeks has relieved, for the most part, the drought conditions which existed in the western part of the American Belt. At the present time, it appears that rain is badly needed in the eastern cotton States and in the Texas Panhandle, although in general prospects for the new crop seem to be fair. Reports indicate that the new crop area in both Egypt and Russia will be somewhat larger than in 1935-36.

Prices

The price of Middling spot cotton at the 10 markets was relatively steady in April and May. Prices showed a slight tendency to rise until about the end of the third week in April. At the end of the month, a moderate amount of weakness showed itself and was in part carried over into early May. The average price for the month of April at the 10 spot markets was 11.57 cents, the high being 11.70 on April 21 and the low 11.36 on April 29 and 30. The may high was 11.67 cents on May 30 and the low 11.35 on May 4. The average for the month was 11.56 cents. The average price of 11.57 cents in April and 11.56 in May compares with 11.38 in March of this year and 11.80 in April and 12.33 in May a year ago.

The dominant factors affecting prices during the last 6 weeks have been very much the same as those which have been operating throughout the last few months. Among price strengthening factors has been a continuation of the relatively high level of cotton mill activity and general industrial activity in this country and throughout the world which has resulted in increased domestic cotton consumption and in larger exports to and increased consumption of American cotton in foreign countries so far this year as compared with last. Other influences tending to support prices have been the large share of the cotton still under loan in the United States and the prospect of a smaller new crop than had previously been thought likely as a result of the severe drought in Texas and Oklahoma which was not broken until the first part of May. The principal factors tending to weaken prices have been some falling-off in textile activity in the United States during April and early May, a further increase in the price of American cotton relative to foreign, and possibly the somewhat better crop prospects in the United States as compared with a few weeks ago.

The ratio of three types of Indian to two types of American at Liverpool is now the lowest since last September. The ratios of 77.4 for April and 76.4 for the first 3 weeks of May compare with 84.4 in November, the high for the present season, and an average of 82.5 for the 6 months, October to March, and an average for the 10 years ended 1931-32 of about 80. Indian cotton relative to American was slightly cheaper during April of this year than during April 1935 and during the preceding 8 months of the present season, the ratio of the price of Indian to the price of American ranged from between 4 and 5 to nearly 20 points higher than in the corresponding months last year. The price of American has also tended to strengthen relative to Egyptian Uppers, the ratio of the latter to the former in April being the lowest for any month since October. The April ratio of 112.6 makes Uppers 5 points cheaper relative to American than in April 1935, although the ratio for the 8 months ending March of this season averaged 115.2 compared with 107.4 in the same 8-month period last year. The price of Brazilian has also tended to weaken relative to American during recent months.

Stocks and Movements

The Producers' Pool disposed of approximately 45,000 bales of spot cotton during April, bringing its spot stock down to about 204,000 bales at the end of the month. Part of the cotton financed by the Government under the 12-cent loan has been moving rapidly into trade channels under the operation of the plan announced by the Commodity Credit Corporation on April 4.

Although official information is not available as to the quantity of cotton actually released, the total requests for release received by the Commodity Credit Corporation had reached 1,000,000 bales by the end of May. This is the maximum quantity announced to be disposed of under the Plan. Reports indicate that probably about one-third of the loan cotton was actually released by May 1, thus leaving about 4,000,000 bales of loan cotton still on hand at the end of April. Counting the spot stock of the Producers' Pool, total Government controlled cotton probably amounted to about 4,200,000 bales at the end of April. The total stock of spot cotton on hand in the United States on May 1 was about 8,050,000 bales, or 14 percent less than the stock of 9,383,000 bales on the same date last year. As a result of the rapid disposal of loan cotton during April, Government financed cotton represented a slightly smaller percentage of total domestic cotton supplies than a month earlier, but still represented over half of the total.

Exports.- Exports were 353,000 bales in April, an increase of 9 percent over the same month last year. Exports for the first 9 months of the present season were 5,167,000 bales, an increase of 33 percent over the same period last year. The improved level of exports so far this year compared with last can probably be attributed to reduced stocks of American cotton abroad, a higher level of industrial activity and demand for cotton, and lower prices for American cotton relative to foreign as a result of the absence of a price supporting loan for the 1935-36 crop.

The large foreign crops, especially those of India and Egypt have been an important factor influencing the cheapening of foreign cotton relative to American in recent months. The following table shows the volume of American and Egyptian exports so far this season as compared with last year, the year before, and the 10-year average. Although complete data is not available on exports from India, the distribution of the Indian crop has been very rapid and in large volume as a result of both large exports and a very high level of cotton consumption in India. According to the New York Cotton Exchange Service, total distribution of Indian cotton through domestic consumption and exports from August 1 to March 31 this season was 3,332,000 bales of 478 pounds compared with 3,121,000 in the same period last season, and an average of 2,879,000 in the last 5 seasons. In spite of the fact that this season's crop is 728,000 bales larger than last, the total stock of cotton in India at the end of March was only slightly larger than that on the same date last year.

Exports of cotton from Brazil in the 7 months from August 1 to February 29 amounted to 332,000 bales compared with 485,000 in the same period last season, a decline of over 31 percent. A large increase over last year is expected in the crop of southern Brazil and this crop is only now being picked and marketed. However, the crop in northern Brazil is estimated to be about 100,000 bales greater than last year and this cotton has been picked and has moved into trade channels. It is to be expected that such an increase in production will result in increased exports. In the absence of some unusual circumstance, such as an abnormally large stock of cotton in Brazil or a very pronounced increase in domestic consumption the drop in exports for the early part of this season as compared with last year furnishes a basis for the belief that the present estimates of this season's crop may be somewhat too high.

Cotton: Exports from United States and Egypt, to specified countries, for specified periods

Country of origin and destination	Aug. 1 to Apr. 30				
	10-year average 1923-24 to 1932-33	1933-34	1934-35	1935-36	1935-36 as a percentage of 1934-35
	1,000 running bales	1,000 running bales	1,000 running bales	1,000 running bales	Percent
From United States:					
United Kingdom	1,557	1,125	608	1,166	191.8
France	743	684	320	612	191.3
Italy	565	571	397	321	80.9
Germany	1,585	1,194	275	673	244.7
Japan	1,101	1,563	1,284	1,319	102.7
China	236	219	104	33	31.7
Other countries	1,033	1,129	908	1,043	114.9
Total	6,820	6,485	3,896	5,167	132.6
	1,000 bales 478 lbs. net	1,000 bales 478 lbs. net	1,000 bales 478 lbs. net	1,000 bales 478 lbs. net	Percent
From Egypt:					
United Kingdom	469	604	373	474	127.1
British India	20	40	95	50	52.6
United States	142	90	48	45	93.8
France	154	179	153	182	119.0
Germany	86	182	104	125	120.2
Italy	78	119	126	76	60.3
Japan	55	96	149	89	59.7
Other countries	188	246	315	338	107.3
Total	1,192	1,556	1,363	1,379	101.2

Compiled from official sources, current data for exports from Egypt from cables.

The Textile Situation

World Consumption

World consumption of all growths of cotton has continued to run at a record high rate. Taking the figures of the New York Cotton Exchange Service, world consumption during the present season up to the end of March totaled approximately 18,074,000 bales, an increase of between 5 and 6 percent over the 17,167,000 bales consumed in the same period last year. Consumption of foreign cotton has shown a slight increase as compared with last year, but most of the increase of 907,000 bales in total consumption has been accounted for by an increase in the consumption of American cotton over last year of about 760,000 bales or 10 percent. During this season to the end of March, American constituted about 46 percent of all the cotton consumed in the world, compared with 44 percent in the same period last season. However, during the 5 years ended 1929-30, American cotton averaged nearly 60 percent of total world mill consumption of all cotton.

A continuation of the present rate of world consumption indicates that world carry-over of American on July 31, 1936 will be about 7,300,000 bales, a decrease of over 1,700,000 bales as compared with the carry-over at the end of last season. This, however, is 1,250,000 bales greater than the average world carry-over of American during the 10 years 1923-1932. Comparing the present rate of consumption and the estimated production of foreign cotton during the present 1935-36 season, there seems to be a likelihood that the carry-over of foreign cotton will be increased somewhat. This being the case, world carry-over of all growths may be about 12,500,000 a reduction of about 1,124,000 bales. If total world carry-over is reduced to approximately 12,500,000 bales, it will represent a reduction of 8 percent from the carry-over at the end of last season, but it will still be 23 percent above the average carry-over of 10,155,000 bales during the 10-year period 1922-23 to 1931-32.

United States.- Domestic mill activity, while above a year ago, tended slightly downward during April as a result of a falling of sales below production and a decline for the industry as a whole in the mill position on stocks and orders, according to trade reports. In the third week of April, the mill position was improved by increased sales and bookings, but the increase in sales and orders was largely induced by price concessions at the expense of manufacturing margins and was limited to certain sections of the trade. It is reported that during the first 3 weeks of May sales and orders again declined. Both wholesale and retail trade are generally thought to be holding up well, but the discounts on new crop deliveries of cotton are believed by the trade to be responsible for the unwillingness of buyers to make forward commitments. Cotton consumption amounted to 577,000 bales in April as compared with 549,000 last month and 468,000 bales in April a year ago. The very high level of cotton consumption in April as compared with last year indicates that, in spite of somewhat unfavorable developments during the month, the textile industry is sharing to a very high degree in the improvement in general industrial activity. Consumption in the 9 months ended April of 4,649,500 bales compares with 4,115,800 bales in the same period last season.

Europe 1/

The first 4 months of 1936 constituted a period of relatively favorable development in the European cotton textile situation, despite varying conditions from country to country. Mill activity in the cotton spinning as well as weaving sections in the United Kingdom, France, Germany, Belgium, Czechoslovakia, Austria, Poland and some other minor countries, continued on generally rather favorable levels in the first quarter of 1936, although in the latter part of April weaving mills in the United Kingdom showed a less favorable trend and there was a slight recession in Austria and a considerable one in Italy. French and Belgian spinning and weaving mill occupation showed a further rise under the influence of favorable business in April, and Germany reported about unchanged mill operations, although largely on the basis of low quality raw material supplies.

Mill sales of cotton yarn and cotton cloth in Europe as a whole remained fairly satisfactory during April, notwithstanding unsatisfactory export sales in the United Kingdom where the home market, however, continued to exhibit an encouraging undertone. Favorable conditions and even considerable improvement persisted in France as well as Belgium, and some betterment was also registered in Czechoslovakia and Poland. German consumer and merchant buying of cotton goods held about level with the previous months, although the tendency toward slight recession was still apparent. Sales booked in Austria were still of good volume in late April but, as a result of the drop in new orders from Rumania, the most important foreign customer in the latter part of April, unfilled orders for cotton yarn were materially, though possibly only temporarily reduced.

The European cotton textile industry, in a word, seems to be undergoing a slow but fundamental recovery. This improvement rests largely on expansion in domestic trade and consumer demand in nearly all instances, since revival of exports nowhere but in Austria appears an important factor in the more favorable tendency which seems evident. This is particularly true in the case of England, where export business is none too good. In France, the abandonment of a deflationary couse in favor of more liberal budgetary and credit policies has clearly had a favorable effect upon the textile situation. In Germany, cotton textile consumption continues fair despite a slight downward trend, and exports have been aided by a subsidy system. Generally improved economic conditions in Belgium have been at the bottom of the textile recovery there, and a certain betterment evident in Czechoslovakia in April is entirely attributable to internal factors, since the cotton export business has gone from bad to worse. The boom conditions in the Austrian cotton industry in the past year, while greatly influenced by increased yarn exports, have also rested substantially on better economic conditions at home. Throughout Scandinavia, also, domestic demand has been such as to make for generally very satisfactory textile consumption. There is no assurance, of course, that this rather encouraging tendency will not be disturbed by unforeseen developments incident to the current highly uncertain political situation in Europe. But barring such a reverse, the slow progress of economic readjustment and revival now evident should be of benefit to the cotton textile industry.

1/ Based largely on a report from Lloyd V. Steere, United States Agricultural Attache' at Berlin under date of May 16.

Raw cotton buying. - European raw cotton purchases were fairly active during the month of April under the influence of the rising American market as well as of some apprehension regarding the currency position in the gold bloc countries and in Poland. Cotton traders in the United Kingdom attributed the April rise in the price of American cotton to the control over supplies of desirable qualities held by the United States Government. In late April and early May there was some evidence of hedging pressure arising from sales of loan cotton, but it is considered that the terms of sale of loan cotton for this year restrict sales to high qualities of which the supply is not large. There has been a scarcity of high-grade American cotton on the Liverpool spot market, but no particular scarcity of low grades. Operations in Liverpool futures have been in small volume, with some speculative buying of distant deliveries on the strength of adverse crop reports.

Raw cotton imports.- Practically all European countries show considerably larger raw cotton imports this season as compared with last. The imports of cotton and cotton waste into 20 countries (Italy excluded) from August 1, 1935, to March 31, 1936 are estimated at about 6,457,000 bales of 478 pounds compared with only 4,843,000 in the same period of 1934-35, but 7,240,000 in the same months in 1933-34. An exception to this trend is probable in the case of Italy, for which no statistics are available. The larger importation of raw cotton has extended to American cotton, both absolutely and relatively, and American cotton has regained, so far this season, some of the losses sustained in previous years. Deliveries of American cotton to European spinners from August 1, 1935, to May 1, 1936 amounted to 3,271,000 bales of 478 pounds net, as compared with 2,611,000 in the corresponding period last year, and 4,531,000 in the same months of 1933-34.

Raw cotton stocks.- European raw cotton stocks have remained very moderate in the first 4 months of 1936. Trade stocks in the United Kingdom about the first of May were slightly below the low level of 1935, and continental port stocks were also slightly below last year when they were of moderate volume. Trade stocks of American cotton in Great Britain were somewhat above last year, though still moderate; stocks of Brazilian, Peruvian Egyptian and other exotic growths were below last year. In Germany, port stocks of Brazilian and other exotic cottons, as well as of American, were reduced. Le Havre and Genoa, on the other hand, have larger port supplies.

European visible stocks of raw cotton about May 1, 1934-36

(Thousand running bales)

	1934	1935	1936
American	1,640	842	1,006
Indian	276	227	313
Egyptian	223	148	125
South American	196	278	177
Other	208	232	197
Total.....	2,543	1,727	1,818

United Kingdom [2/].- The British cotton industry continued to enjoy good business on the domestic market during March and April, but export demand was persistenly weak, and piece goods exports in 1936 are well down from the first quarter of 1935. Sales for Egypt have been difficult to arrange and only irregular business has occurred for Central and South America. Scattered transactions for Karachi and Madras were reported toward the end of April.

Employment in the British cotton industry in mid-March 1936 was higher than in mid-February, if measured by the number of workers employed, but on basis of wages paid, which also reflects the number of hours worked, there was an appreciable decline, especially in the weaving section. Employment in this branch of the trade in March this year was lower than in the corresponding month of any of the past 3 years.

The more hopeful tone on the domestic market has been supported by continued favorable employment in all British industires, employment in March being 1.5 percent higher than in February and 4 percent higher than in March 1935. Retail trade in March 1936, as measured by the value of sales, was likewise higher than in March last year. Stocks held in the retail trade were slightly lower at the end of March as compared with a year ago.

Exports of cotton piece goods during the first quarter of 1936 were lower than in the corresponding period for several years back. The decline has been especially noticeable in grey goods, but extends to virtually every class when compared with 1935. Yarn exports, on the other hand, have shown a good increase over most recent years, though the volume is only about one-third that of piece goods.

Raw cotton imports since the first of the season are running ahead of imports during the previous 3 seasons, but the excess over 2 years ago is only slight. There has been a notable increase in importations from Egypt and India, from the latter country particularly in short staples. Imports of American cotton are also much higher than a year ago and approximately level with imports of the 2 preceding seasons. Up to April 24 imports of American cotton since the first of the season amounted to about 52 percent of total cotton imports, compared with only 35 percent in the same period last year, 52 percent 2 years ago, and 62 percent 3 years ago. Deliveries of raw cotton to the trade so far this season were also higher than in the corresponding period in any of the 3 preceding years. Deliveries of American cotton, however, while above last year's low figure, were lagging behind the level of 2 and 3 years ago. To the end of April they were slightly less than 50 percent of total cotton deliveries this season, compared with only 38 percent last year, but 57 percent and 60 percent 2 and 3 years ago. As a result of the relatively larger importation than delivery of American cotton, British stocks of American cotton about the end of April were higher than last year, whereas total stocks were somewhat lower. Nevertheless, the absolute level of stocks of American cotton, as also that of total cotton stocks in Great Britain were considered very moderate.

2/ Largely taken from Special Report No.27, prepared by C. C. Taylor, Agricultural Attache', London, under date of May 1, 1936 mailed May 2, 1936.

Legislative measures.- The Cotton Spinning Industry Bill is but the forerunner of other steps to be taken to rehabilitate the Lancashire Cotton Industry. It is expected that similar bills relating to the manufacturing and finishing sections will be drafted along parallel lines to help bring their productive capacity into line with diminished output. The Federation of Master Cotton Spinners' Associations has set up a special Reorganization Committee to investigate thoroughly the existing organization in the industry in all its phases with a view to recommending the adoption of proposals to improve and expand the Lancashire cotton trade. Special sub-committees are to investigate and report on the causes responsible for the present difficulties and to recommend policies for their amelioration. Financial integration along vertical lines has been suggested as a means of minimizing excessive price competition.

Germany.- There was little change in the situation of the German Cotton Industry during the first quarter of 1936. Obtaining adequate supplies of raw material remained the basic problem of the industry, but no real shortage developed, and it does not appear that, except possibly for reasons of qualitative deterioration, the volume of mill operations has yet been significantly curtailed by the inadequacy of raw cotton supplies during the last several months. August - March 1935-36 net imports of cotton spinning material were considerably above August - March 1934-35 figures, though somewhat below 1933-34. It appears, however, that there has been a considerable shift in the importation of cotton spinning material away from raw cotton toward increased use of cotton-waste and other cotton materials but more in the way of restriction of exports of cotton waste and other materials rather than an increase in imports.

The trend of supplies of all cotton spinning material in the current season was an upward one through January, but there was a marked interruption of this trend in February and March because of a large drop in imports of raw cotton. February and March imports of cotton were restricted chiefly through a sharp decline in importations from Brazil and also from the United States and Egypt. It appears that the drastic measures taken by the Brazilian Government last spring to prevent the exportation of raw cotton except against foreign currency payment are now beginning to be reflected in German import statistics, although total imports so far this year are well above those for the same months last year. On the other hand, importations from the United States so far this season have greatly exceeded imports during the same period last year, although continuing to fall much short of importations in 1933-34. On a percentage basis, the share of the United States in total German raw cotton imports in the first 8 months of this season was smaller than last season in August - March because of a considerable increase in total imports, but a relatively smaller increase in imports from the United States; for August - March 1935-36 it amounted to 34 percent as compared with 38 percent in the same period 1934-35, 74 percent in 1933-34, and 78 percent in 1932-33. On the other hand, the share of Egyptian cotton in imports from August to March increased from 9 percent in 1932-33 to 12 percent in 1935-36, and that of Brazil from almost nil in 1932-33 to 15 percent in 1934-35 and 20 percent in 1935-36. A significant increase is also evident in the share of Peruvian, Argentine, Turkish and other exotic cottons in total German imports.

The raw material position of the German cotton textile industry so far has been well protected by the increased utilization of cotton waste, artificial fibers and other cotton materials, and by increased consumption of exotic cottons available to German buyers on a clearing or compensation basis. There has resulted, however, a considerable deterioration in the qualities of goods produced and it appears that prospects for the future in regard to total raw cotton supplies are clouded not only by the reluctance of certain countries to sell on a clearing basis, but also by the increased import requirements in foodstuffs and feedstuffs which burden the German balance of payments and necessitate curtailment of less pressing imports.

The German textile industry is still aiming at the attainment of sufficient exports of finished goods to finance the raw material requirements of the industry. Some progress was made during 1935, and early 1936, notably since the introduction of the export bounty system in June 1935, and exports of cotton fabrics in January-February 1936 rose to about twice what they were during the first 2 months of 1935. Exports of yarn, partly in connection with the disappearance of Italian exports to the Balkan countries, and partly because of Czechoslovakia's restriction of exports, also increased to about 80 to 100 percent above January and February 1935, while at the same time yarn imports were materially reduced.

Figures on German cotton textile mill activity are available only in summarized form and must be used with considerable caution because the weights of the different branches of the cotton industry in the index numbers of total cotton textile production have been repeatedly changed. The combined index numbers of cotton textile production at present shows a production running somewhat higher than in the first several months of last year. According to the Institut fur Konjunkturforschung, it is expected that the 1936 production of rayon staple fiber will amount to about 88,000,000 pounds, as compared with an actual output of 15,000 tons or 33,000,000 pounds in 1935.

Commenting on the changes that have been necessitated in the cotton textile industry as a result of the shifts in the origin of supplies, the Institut fur Konjunkturforschung makes the statement that these shifts have confronted the cotton industry with a difficult task. The quality of cotton from the new supplying countries is mostly considerably below the accustomed standard, and, moreover, a larger share of cotton waste, cotton linters, and other materials, have been worked up by the industry. The Institut stresses the fact that the raw materials obtained on a clearing or compensation basis were considerably more expensive than those imported against payment in devisen. In 1935, the import price of 1 kilogram of raw cotton from the United States (devisen cotton) was Rm. 0.80,(equivalent to about 14.6 cents per pound at current exchange rates) while the import price of raw cotton from Brazil and Greece purchased on a clearing basis - despite lower quality - amounted to Rm. 1.12 and 1.24, (about 20.05 and 22.4 cents per pound) respectively. These developments have placed a considerable burden on the cotton industry, even though the increased costs have been largely recovered through higher prices charged buyers of cotton yarn and fabrics.

"Wirtschaftsdienst" of May 1, 1936, states that the decline in the supply of spinning materials in 1935 as compared with 1934 was 10 percent, not considering the increased supply of spinnable waste and regenerated materials. Raw cotton, as the most important spinning fiber, has again been at the disposition of the German industry in sufficient quantities recently; its qualitative composition has also been somewhat normalized, a fact which is shown in the reduction of yarn imports. Yarn imports were previously used in considerable quantity as an emergency material to replace deficit supplies of raw cotton. Raw spinning material imports on the basis of reciprocity have gained in importance and, as a result of the enforcement of the principle of importing goods only in exchange for goods, the well-known shifts away from raw cotton from the United States toward exotic cottons, obtainable almost exclusively on a clearing or compensation basis, have taken place. Thereby the most important aim has been accomplished, i.e., to cover raw cotton requirements by sales of German goods in the country of origin. The majority of the clearing and compensation countries, however, has so far supplied only deficient qualities, and it will be necessary to improve this situation, possibly through better standardization of the fiber.

It is further pointed out that in the current year the supply of staple fiber and rayon yarn is about 20 percent of the supply of raw cotton. It is important that the present price of staple fiber has been reduced to about 150 percent of the present raw cotton price; waste in spinning staple fiber yarn is insignificant so that this cut rayon yarn is only a little higher in price than cotton yarn, and 45 percent cheaper than rayon yarn.

Czechoslovakia.-Conditions in the Czechoslovakian cotton textile industry continued unsatisfactory during the first 4 months of 1936, but there seemed to be a slight tendency towards improvement in March and April. Some reports indicate that this improvement appears to be only temporary in character and that new difficulties in export business have been encountered despite great efforts on the part of the industry. These trade obstacles are to be found not only in the protective policies of importing countries which are usually markets for Czechoslovakian cotton textile goods, but also in the strongly competitive price situation, which was eased only temporarily by Czechoslovakia's small devaluation of the crown in February 1934. Since then Czechoslovakia's competitive strength in foreign markets has again diminished, and it is indicated that, in addition to Japanese competition, Polish and German efforts, supported by export subsidies, have made it extremely difficult for Czechoslovakia to compete in her traditional markets. Another factor in reducing Czechoslovakian cotton textile export business has been her own currency-protective measures. As a result, Yugoslavian demand for cotton yarns is reported to have shifted toward Germany, and other southeastern European countries are also availing themselves of offers from countries other than Czechoslovakia.

Raw cotton imports into Czechoslovakia from the first of the season to the end of February 1935-36, showed a considerable increase over 1 and 2 years ago; but this increase was not entirely the result of expansion in cotton mill business - it was at least in part the result of the accumulation of cotton fabrics, cotton yarn and raw cotton stocks in the country. Nevertheless, the figures show a fair improvement of conditions this season over

last, however unsatisfactory they still may be. Importation of cotton from the United States also increased considerably, amounting to 73,800 bales of 478 pounds net, as compared with only 44,000 bales in August-February 1934-35, and 62,000 bales in August-February 1933-34. It should be noted, however, that these figures include only such cotton as was imported directly from the United States, whereas much American cotton in addition to the quantities so declared is regularly received via Bremen and Hamburg and is not shown as American cotton in the trade statistics.

Austria.- Conditions in the Austrian cotton textile industry during the first 4 months of the new year remained very favorable, as far as mill activity and deliveries on old orders are concerned. New orders booked for cotton yarn as well as cotton goods likewise remained very high through February, but in March and April declined considerably as a result of a drastic drop in export business. It is indicated that reduction in demand from Rumania, partly as a result of German, Polish, and Japanese competition in that market, was responsible for the decline, and competent observers regard prospects in the Austrian cotton industry for the remainder of the current season as less favorable than they were up to the end of 1935.

The development of the Austrian cotton textile situation during the current season has been a remarkable continuation of the very favorable conditions already prevailing last season. Cotton spinning mill activity in December-January 1935-36 rose to approximately 35 percent above single shift capacity compared with about 10 percent above in December-January 1934-35. There was a decline in mill activity in February, March, and April, but it is believed that occupation still compared very favorably with previous years. In appraising the level of production achieved it should be borne in mind that in December-January 1932-33 activity was down to about 70 percent of single shift capacity and that at no time in post-war history has it reached the level recorded for the current season.

Supporting these figures on mill activity, unfilled orders held by cotton spinning mills around the turn of the year showed a very large volume on hand, in fact the largest figure ever recorded, and 90 percent more than the average for 1923-31. Unfilled orders, as a result of the adverse developments mentioned above, have subsequently declined, but were still on a very satisfactory level at the end of April. Similarly, cotton weaving mill occupation, as indicated by the Austrian index of raw material requirements of cotton weaving mills, has been running high and much above last year, reaching in February 1936, 175 percent of the average for 1923-31, compared with only 153 percent a year earlier, 140 percent 2 years earlier, and 77 percent 3 years earlier.

Raw cotton imports into Austria, parallel with the favorable developments in mill business and occupation, have shown a large increase over last season, both as regards total imports from the United States. Total Austrian raw cotton imports, August-February 1935-36, amounted to 115,000 bales of 478 pounds net, compared with only 83,000 1 and 2 years ago. Imports of American cotton amounted to more than 69,000 bales in August-February 1935-36, as against only about 46,000 in the same period of 1934-35, and 57,650 in August-February 1933-34. It appears, therefore, that imports of American cotton so far in 1935-36 have reached 60 percent of total Austrian imports of raw cotton against only about 55 percent in the same period last year and 68 percent in the same period of 1933-34.

France.-Conditions in the cotton textile industry in Normandy as well as in northern and eastern regions of France have continued to improve throughout April. Remarkable steadiness has characterized the rise in the index numbers of cotton mill activity ever since the low point in the fall months of 1934. Cotton weaving activity has gradually risen to about a level with the first several months of 1934, which means a fairly good rate of occupation and about the same as that of 1927 and 1928. As a result of the considerable influx of new business in recent months, unfilled orders on hand in cotton weaving mills in April were fully 80 percent above the same time last year and on about the same level, on an average, as in 1927 and 1928. Stocks of cotton fabrics in weaving mills gradually declined throughout 1935 and the beginning of 1936 and were back to normal about the end of April. Similarly, conditions in the sprinning branch have greatly improved, and mill activity in April was from 20 to 30 percent above last year. Unfilled orders on hand in spinning mills were sufficient to last the mills at the current rate of occupation for from 3 to 4 months, and these orders were expected to continue their rising tendency since developments in the weaving branch have already prepared the way for further expansion in spinning.

In keeping with these favorable mill conditions, raw cotton imports for the first half of this season greatly exceeded importation during the first half of last season. August-January 1935-36 imports of raw cotton into France amounted to about 655,000 bales as compared with an importation of 489,000 last year and about 862,000 2 years ago when stocks were accumulating. Importation from the United States has also advanced and has amounted, therefore, to 63 percent of total cotton imports as compared with only 51 percent in the same period last year. France is thus showing the same tendency to increase the percentage of American cotton consumed as is observed in other countries.

Sales by cotton spinning as well as weaving mills in the important French districts remained active up to the end of April, largely under the influence of firm raw cotton prices and increased demand from the wholesale trade, the latter seeming only partly to result from fears regarding currency developments. Demand from the colonies, however, also improved greatly, and as a result of all these developments prices for cotton yarns as well as cotton fabrics showed repeated increases. The end of April and the beginning of May were characterized by somewhat quieter business because of the elections and other political activity.

Italy.- In the absence of any information on the cotton situation from Italian sources, it appears from the statistics of the most important exporting countries that Italy's supplies of raw cotton (and presumably therefore the activity of the cotton textile industry) must have been considerably reduced in the first half of the current season. This seems true even when allowance is made for the probability that trans-shipments are almost certain to have been made from countries that were not original exporters.

The Official Gazette of April 28 published and set in force a law which had already been issued on March 9, 1936, aiming at the promotion of cotton and hemp growing in Italy and her colonies. The law obliges all firms manufacturing raw cotton into yarn, etc., to take, in 1936, a

specified percentage of cotton or cottonized hemp grown in Italy or her colonies. The percentage has been fixed at 5 percent for 1936, but may be changed at any time by the competent Ministry, after consultation with the Istituto Cotoniero. How and in what proportions the admixture is to take place has not been specified so that the firms, who are only compelled to take the specified percentage of domestic cotton and cottonized hemp, are at liberty to decide that question for themselves.

Poland.-Revival in the Polish cotton textile industry this season is rather clearly indicated in the considerably increased importations of raw cotton from all sources including the United States. Total cotton imports from August-February this season amounted to 194,000 bales of 478 pounds as compared with only 171,000 last year and 184,000 in August-February 1933-34. The share of the United States cotton in total Polish raw cotton imports during August-February 1935-36 was 70 percent, compared with about the same percentage last season. Not all of these imports, however, went into mill consumption; they, in part, accumulated with the trade. Stocks in spinning mills, on the other hand, declined in the first 7 months of the season and in March were reported as being rather low. Some observers attributed the accumulation of raw stocks by the trade to the uncertainty regarding the future of the currency, an anxiety which seems to have been justified by Poland's adoption of exchange controls. Mill consumption of raw cotton in Poland during the first half of the current season was about the same as a year earlier.

Yugoslavia.-Reports from Yugoslavia indicate that the cotton textile business in that country continued active in the first quarter of 1936. The mills were well occupied, and there seems to have been even slightly better occupation in the first 8 months of this season than last. Yugoslavia, however, consumed somewhat less American cotton, but more Indian,Egyptian and Sundry cottons during the first half of the current season, as compared with the same period a year ago. The cloth industry, has been handicapped by lack of supplies of cotton yarn from Italy, but it appears to have been possible within a short time to obtain adequate deliveries from other countries, notably Austria and from Germany also. Czechoslovakia has lost considerable yarn business to Yugoslavia as a result of her export contingents on cotton yarn to southeastern Europe.

Russia.-Production of the cotton textile industry during the first 2 months of 1936 was on a higher level,both as compared with the months immediately preceding and with the corresponding period in 1935. Production of cotton fabrics by the enterprises of the People's Commissariat of the Light Industries amounted to 229,656,000 meters in January and 226,400,000 meters in February 1936. The corresponding figures for cotton yarn are 66,100,000 pounds for January and 63,270,000 pounds for February, which is also above the last months of 1935 as well as January and February 1935.

Production of cotton fabrics (by enterprises of the Commissariat of the Light Industries) amounted to 2,264,800,000 yards during the whole of 1935, and that of yarn to 663,340,000 pounds. Total production of all enterprises of the Union in 1935 amounted to 2,876,000,000 yards. The production plan for 1936 provides for a total output of cotton fabrics of 3,515,900,000 meters, which would be an increase of 22 percent as compared with the reported total output in 1935. (The plan for the output of the enterprises of the Commissariat of the Light Industries alone is not at hand).

Foreign trade.- A pick-up of Russian cotton imports took place in 1935 from the low levels of the preceding 3 years, although imports remained much below the level prevailing prior to the expansion of the domestic cotton industry. According to preliminary information, total imports of cotton during the calendar year of 1935 amounted to 202,934 bales of 478 pounds as compared with 115,000 in 1934 and 106,000 in 1933. Average imports of cotton during the 5 years 1925-29 amounted to 594,965 bales, and during the 5 years 1930-34 to 170,650 bales. Exports of cotton were negligible in 1935, amounting to 27,673 bales, and consisted largely of linters.

The share of American cotton in total imports also increased in 1935, amounting to 58 percent of the total against 40 percent in 1934. Total imports from the United States amounted to 118,993 bales, compared with 46,583 in 1934.

Japan 3/.-Yarn production in April of 303,814 bales of 400 pounds each was about 10,000 bales greater than in March, but about 4,000 bales less than a year earlier. However, with the exception of the peak production of last April, output during April this year was the highest for the month on record. Cloth exports in March were 240,487,000 square yards and were the largest for any month since March of last year when exports of piece goods reached a peak of 274,463 bales, the largest volume of exports for any month on record. The increase this March compared to months immediately preceding, came in the main as a result of larger shipments to British India and the Netherlands East Indies.

Imports of raw cotton of 334,000 bales in March were below imports for each of the 3 previous months and were less than average March imports for the last 5 years. Imports of American cotton amounted to 114,000 bales, a considerable decline compared with the 4 preceding months, while imports of Indian of 184,000 bales showed more than the usual seasonal increase, and were the largest for any month since February 1935.

Mill takings of raw cotton increased considerably during March. It is reported that this was due to prospects of an active spring spinning season and efforts to replenish low mill stocks. Total takings of 416,000 bales consisted of 178,000 American, 199,000 Indian, 12,000 Egyptian, and 27,000 of Sundry growths. The importation and consumption of Indian cotton has been encouraged by its increasing cheapness relative to American during recent months. It is reported that Japan is showing an increasing interest in Brazilian cotton, and that a great many Japanese cotton firms are attempting to obtain agencies for Brazilian cotton.

China 4/.-Consumption of all growths of cotton continued during March and April to run somewhat below a year ago with continued heavy arrivals of Chinese cotton. Although the Chinese crop is smaller this

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3/ Prepared largely from a cable from Agricultural Commissioner O. L. Dawson at Shanghai, under date of May 13, 1936.
4/ Based largely on a cable from Agricultural Commissioner Dawson at Shanghai, under date of May 14.

year than last, its movement to market has been much more rapid than in the same period last season. A preliminary estimate places arrivals at Shanghai between October and April of the present season at 930,000 bales compared with 683,000 during the same period last year, an increase of nearly 60 percent.

Stocks in the interior are reported to be very light but with about 430,000 bales of cotton in sight, including 2½ months mill stocks in Shanghai, there is sufficient cotton on hand or in sight to run the mills at this center until the close of the season with a small amount left for stocks. The situation at other points which have been consuming Chinese cotton is somewhat less secure, and a shortage will probably develop before the close of the season.

It is believed that the purchase of American cotton for the remainder of the season will be only for bare necessities. Some purchases of Indian likely will be made as prices compared with native staple are favorable.

Deliveries of all cotton to Shanghai mills of 203,000 bales in April were 43,000 bales greater than in March. Between October and April 30 of the present season total deliveries of all cotton to Shanghai mills were 890,000 bales compared to 563,000 during the same 7 months last year. Deliveries of Chinese cotton amounted to 795,000 or practically twice those of last season. Deliveries of American were 44,000, a decline of nearly 50 percent compared with last season. Deliveries of Indian amounted to 33,000 bales and Egyptian to 15,000, a decline of 30 percent and 20 percent respectively, from last year.

Production, Acreage and Crop Conditions

United States.-Rains beginning the end of last month broke the drought in most areas in Texas and Oklahoma. In fact, during the week ended May 18 rainfall in some sections was excessive. However, it is reported by the trade that certain parts of Texas need more moisture as a reserve against summer needs. Oklahoma is reported to have benefited greatly from the general rains of late April and early May. In the eastern part of the Belt, the crop is progressing well, but the prolonged period of dry weather which followed heavy rains early in April has caused the topsoil to become crusted. This condition has been some handicap to planting and germination. Trade reports indicate that ideas as to acreage for this year lean toward an increase of 12 to 15 percent over the 1935-36 season. In the absence of extremely favorable or unfavorable influences, the crop will be small to moderate in size. Fertilizer tag sales in eight cotton states from December to April, amounted to 2,888,630 tons this year compared to 2,717,600 last year, an increase of 6 percent. Since fertilizer tag sales have increased by a much smaller percentage than has estimated acreage, the indications seem to be that the amount of fertilizer applied per fertilized cotton acre may be somewhat less than last year.

India.-The last official estimate of the 1935-36 Indian cotton crop places it at 4,793,000 bales from 25,138,000 acres. This is an increase of 41,000 bales over the previous estimate of 4,752,000 bales. The indicated yield per acre for this season is 91 pounds compared with 81 pounds last year and an average of 83.5 pounds for the 10 years ended 1934-35.

Egypt 5/.-It is reported that a somewhat larger cotton acreage is in prospect for 1936-37. It is too early for an accurate or detailed estimate but it seems probable that the area planted will on the whole be somewhat larger than that of the 1935-36 season. Cotton farmers are believed to have improved their financial situation as a result of the profitableness of the crop just disposed of, the relatively high price of farm products other than cotton, assistance from the Credit Agricole, and through the tendency for farming costs to decline. Labor is abundant and cheap. Workstock are in better shape than in most seasons, and are sufficient for the needs of the cultivators. Although the old methods of farming and the old implements of tillage are still widely used, there is an increasing tendency for the larger and the better class of farmers to employ tractors and other mechanical equipment and to use chemical fertilizers as a supplement to natural fertilizers.

A plentiful supply of water for irrigation purposes, mild winter temperatures, and an unusually small rainfall permitted an early and comparatively uniform preparation of the land and sowing of the seed. On account of the care used by the Government in selecting seed and its severity in enforcing its use, the seed furnished farmers is generally considered to be of good quality.

In Upper and Middle Egypt cotton of the Uppers class (1-1/16 to 1-1/4 inches in staple length) especially the Ashmouni variety will occupy nearly all of the area. Lower Egypt is expected to show a considerable reduction in the area planted to Sakellaridis (1-3/8 to 1-5/8 inches in staple length) with Giza 7 (1-3/8 to 1-1/2 inches) replacing it to a considerable extent, but there is expected to be a further increase in the acreage of the shorter stapled cotton, especially Zagora.

During the post-war period the cultivation of cotton of moderately long staple has expanded in Upper Egypt and has formed a constantly larger proportion of total Egyptian production of all cotton. These shorter stapled varieties which are directly competitive with the longer staple American Upland cotton have also shown a tendency to occupy a larger proportion of the cotton area of lower Egypt.

Russia 6/ - The Cotton Planting Campaign.- The Russian cotton planting campaign is nearing completion at the beginning of May and is progressing somewhat faster than during the preceding year. Total sowings of cotton up to May 1 amounted to 3,956,000 acres, compared with 3,677,000 acres sown by the same time in 1935. This is 79.5 percent of this year's plan, which has been fixed at a level slightly above that of 1935; 76.6 percent of the plan had been planted at the same time a year ago. Warm sunny weather has prevailed in the irrigated regions with daily temperatures considerably above normal at times. The first shoots of cotton plants are reported to have come up in good condition. Ploughing operations are going on at a better pace than last year, with a larger acreage ploughed for the second and third times. Ploughing for the fourth time is also reported to be effected to a larger extent than in previous years.

5/ Based largely on a report from H. Earle Russell, American Consul General, at Alexandria, March 13, 1936.
6/ Prepared from a report by Lloyd V. Steere, Agricultural Attaché at Berlin.

The 1936 cotton sowing plan provides for an acreage of 4,979,000 acres compared with 4,821,000 acres sown in 1935. The production plan calls for a total domestic crop of 3,020,000 bales of 478 pounds of ginned cotton which would mean an increase of about 20 percent compared with the preliminary reports on 1935 production, but a still larger increase when the expected downward revision of the 1935 crop is made. Judging from past experience, it is unlikely that such progress could be achieved from 1 year to the next, although a moderate increase can be reckoned with in view of improving technique. A downward revision of the official estimates of 1935 crop is probable because of the apparent exaggeration in the previously reported procuring results, as has been previously indicated in these reports. It has now become known that local procuring organizations, in their desire to report a high procuring figure, have frequently reported cotton as procured which had not yet been picked and was never picked. Furthermore, cotton with a moisture content far surpassing the prescribed limits was accepted by the procuring organizations, which led to damage and loss of some of the cotton.

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